

EXECUTIVE SUMMARY

Idaho's robust economic growth at the beginning of last year and steady growth since then virtually guarantee 2005 was one of the best years in recent memory. Idaho nonfarm employment started the year by growing at a 6.6% annual rate—its strongest showing since the third quarter of 1993. Total employment also topped the 600,000-job threshold in the same quarter. Much of this strength reflected the red-hot construction sector that was creating jobs almost five times faster than during last year's first quarter. Fueling the jump in construction jobs was housing starts in the Gem State, which advanced at an incredible 62.7% annual pace. Boosted by the strong job gain, Idaho nominal personal income grew by a healthy 8.6% annual pace in the first quarter of 2005. Adjusted for inflation, Idaho personal income rose 6.2% in the first quarter of 2005. After enjoying an incredible first quarter, Idaho's economy settled into more sustainable growth during the second quarter of 2005. Idaho nonfarm employment increased at a 2.5% rate. Idaho nominal personal income increased 6.7% in the second quarter while Idaho real personal income grew about half as fast. Idaho nonfarm employment is expected to advance just over 2% in both quarters of the second half of 2005. If this forecast holds, Idaho nonfarm employment will have grown 3.7% in 2005, which would be its best year since 2000. Idaho nominal personal income should rise 7.2%, and real personal income should increase 4.3%. Idaho's economy should continue to grow, but not match the high-water mark it set in 2005. Idaho nonfarm employment should average about 2% growth per year during the 2006-2009 period, raising employment to 661,700 jobs in the terminal year of the forecast. Idaho nominal personal income is forecast to increase 6.4% annually. It is predicted Idaho real personal income will grow 4.1% per year.

It appears the U.S. economy came through this year's record hurricane season in better shape than had been expected. One of the reasons the economy performed well is because it headed into the fall in such strong shape. Fortunately, the damage has been temporary. Nonfarm employment was virtually flat in both September and October, but the employment picture improved in November 2005 with the addition of 215,000 jobs. The national unemployment rate remained below 5% in November 2005. Beginning in 2006, the negative impacts of the storms of 2005 are replaced with the positive influences associated with the rebuilding efforts. For example, this forecast assumes an additional 150,000 housing starts over the next three to four years to replace units destroyed or rendered uninhabitable by the hurricanes and floods. Real GDP is expected to expand 3.4% in 2006, 3.1% in 2007, 3.4% in 2008, and 3.1% in 2009. With the economy once again on solid ground, the nation's central bank will continue raising the federal funds rate in 25-basis point increments through the first half of 2006. The forecast also assumes the existing home mortgage interest rate will rise from 5.9% in 2005 to 7.3% in 2009. The higher interest rates contribute to the gradual decline in U.S. housing starts from 2.1 million units in 2005 to 1.7 million units in 2009. Although the U.S. economy is not expected over the forecast period to replicate 2005's strong showing, growth during the four years following 2005 should be stronger than in the four years preceding it. For example, real output growth averaged 2.3% from 2000 to 2004. It is forecast to be 3.3% over the 2006-2009 period. Employment and real personal income also grow more rapidly in the end of the decade than in the beginning. While the predicted national economic growth is not spectacular, it will be respectable.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2006**

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| GDP (BILLIONS) | | | | | | | | | | | | |
| Current \$ | 8,747 | 9,268 | 9,817 | 10,128 | 10,470 | 10,971 | 11,734 | 12,486 | 13,248 | 13,920 | 14,704 | 15,517 |
| % Ch | 5.3% | 6.0% | 5.9% | 3.2% | 3.4% | 4.8% | 7.0% | 6.4% | 6.1% | 5.1% | 5.6% | 5.5% |
| 2000 Chain-Weighted | 9,067 | 9,470 | 9,817 | 9,891 | 10,049 | 10,321 | 10,756 | 11,140 | 11,522 | 11,876 | 12,278 | 12,658 |
| % Ch | 4.2% | 4.4% | 3.7% | 0.8% | 1.6% | 2.7% | 4.2% | 3.6% | 3.4% | 3.1% | 3.4% | 3.1% |
| PERSONAL INCOME - CURR \$ | | | | | | | | | | | | |
| Idaho (Millions) | 27,287 | 29,068 | 31,290 | 33,054 | 33,823 | 34,660 | 37,394 | 40,084 | 42,918 | 45,566 | 48,336 | 51,307 |
| % Ch | 7.6% | 6.5% | 7.6% | 5.6% | 2.3% | 2.5% | 7.9% | 7.2% | 7.1% | 6.2% | 6.1% | 6.1% |
| Idaho Nonfarm (Millions) | 26,350 | 28,054 | 30,448 | 32,039 | 32,906 | 33,915 | 36,286 | 38,969 | 41,838 | 44,423 | 47,187 | 50,149 |
| % Ch | 7.1% | 6.5% | 8.5% | 5.2% | 2.7% | 3.1% | 7.0% | 7.4% | 7.4% | 6.2% | 6.2% | 6.3% |
| U.S. (Billions) | 7,423 | 7,802 | 8,430 | 8,724 | 8,882 | 9,169 | 9,713 | 10,269 | 10,938 | 11,583 | 12,269 | 12,990 |
| % Ch | 7.3% | 5.1% | 8.0% | 3.5% | 1.8% | 3.2% | 5.9% | 5.7% | 6.5% | 5.9% | 5.9% | 5.9% |
| PERSONAL INCOME - 2000 \$ | | | | | | | | | | | | |
| Idaho (Millions) | 28,429 | 29,788 | 31,289 | 32,376 | 32,666 | 32,846 | 34,542 | 36,015 | 37,669 | 39,290 | 40,797 | 42,323 |
| % Ch | 6.6% | 4.8% | 5.0% | 3.5% | 0.9% | 0.6% | 5.2% | 4.3% | 4.6% | 4.3% | 3.8% | 3.7% |
| Idaho Nonfarm (Millions) | 27,452 | 28,748 | 30,447 | 31,382 | 31,780 | 32,140 | 33,517 | 35,012 | 36,721 | 38,305 | 39,827 | 41,368 |
| % Ch | 6.1% | 4.7% | 5.9% | 3.1% | 1.3% | 1.1% | 4.3% | 4.5% | 4.9% | 4.3% | 4.0% | 3.9% |
| U.S. (Billions) | 7,734 | 7,996 | 8,429 | 8,545 | 8,578 | 8,689 | 8,973 | 9,227 | 9,600 | 9,987 | 10,355 | 10,715 |
| % Ch | 6.4% | 3.4% | 5.4% | 1.4% | 0.4% | 1.3% | 3.3% | 2.8% | 4.1% | 4.0% | 3.7% | 3.5% |
| HOUSING STARTS | | | | | | | | | | | | |
| Idaho | 10,104 | 10,334 | 11,469 | 12,181 | 13,181 | 16,300 | 18,484 | 23,105 | 20,055 | 19,870 | 19,370 | 18,495 |
| % Ch | 14.0% | 2.3% | 11.0% | 6.2% | 8.2% | 23.7% | 13.4% | 25.0% | -13.2% | -0.9% | -2.5% | -4.5% |
| U.S. (Millions) | 1.621 | 1.647 | 1.573 | 1.601 | 1.710 | 1.854 | 1.950 | 2.061 | 1.873 | 1.838 | 1.813 | 1.739 |
| % Ch | 9.9% | 1.6% | -4.5% | 1.8% | 6.8% | 8.4% | 5.2% | 5.7% | -9.1% | -1.8% | -1.4% | -4.1% |
| TOTAL NONFARM EMPLOYMENT | | | | | | | | | | | | |
| Idaho | 520,478 | 538,103 | 558,583 | 568,030 | 568,023 | 572,515 | 588,033 | 609,974 | 622,677 | 635,132 | 648,975 | 661,695 |
| % Ch | 2.6% | 3.4% | 3.8% | 1.7% | 0.0% | 0.8% | 2.7% | 3.7% | 2.1% | 2.0% | 2.2% | 2.0% |
| U.S. (Thousands) | 125,924 | 128,992 | 131,792 | 131,833 | 130,345 | 129,999 | 131,475 | 133,616 | 135,693 | 137,599 | 139,332 | 140,715 |
| % Ch | 2.6% | 2.4% | 2.2% | 0.0% | -1.1% | -0.3% | 1.1% | 1.6% | 1.6% | 1.4% | 1.3% | 1.0% |
| SELECTED INTEREST RATES | | | | | | | | | | | | |
| Federal Funds | 5.4% | 5.0% | 6.2% | 3.9% | 1.7% | 1.1% | 1.3% | 3.2% | 4.7% | 4.8% | 4.8% | 5.0% |
| Bank Prime | 8.4% | 8.0% | 9.2% | 6.9% | 4.7% | 4.1% | 4.3% | 6.2% | 7.7% | 7.8% | 7.8% | 8.0% |
| Existing Home Mortgage | 7.1% | 7.3% | 8.0% | 7.0% | 6.5% | 5.7% | 5.7% | 5.9% | 6.8% | 6.9% | 7.0% | 7.3% |
| INFLATION | | | | | | | | | | | | |
| GDP Price Deflator | 1.1% | 1.4% | 2.2% | 2.4% | 1.7% | 2.0% | 2.6% | 2.8% | 2.6% | 1.9% | 2.2% | 2.4% |
| Personal Cons Deflator | 0.9% | 1.7% | 2.5% | 2.1% | 1.4% | 1.9% | 2.6% | 2.8% | 2.4% | 1.8% | 2.2% | 2.3% |
| Consumer Price Index | 1.5% | 2.2% | 3.4% | 2.8% | 1.6% | 2.3% | 2.7% | 3.4% | 2.6% | 1.5% | 2.0% | 2.2% |

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2005**

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2006**

| | 2005 | | | | 2006 | | | | 2007 | | | |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| GDP (BILLIONS) | | | | | | | | | | | | |
| Current \$ | 12,199 | 12,378 | 12,590 | 12,778 | 12,999 | 13,176 | 13,330 | 13,487 | 13,644 | 13,823 | 14,007 | 14,207 |
| % Ch | 7.0% | 6.0% | 7.0% | 6.1% | 7.1% | 5.6% | 4.7% | 4.8% | 4.8% | 5.3% | 5.4% | 5.8% |
| 2000 Chain-Weighted | 10,999 | 11,089 | 11,193 | 11,277 | 11,385 | 11,481 | 11,569 | 11,653 | 11,726 | 11,822 | 11,923 | 12,032 |
| % Ch | 3.8% | 3.3% | 3.8% | 3.0% | 3.9% | 3.4% | 3.1% | 2.9% | 2.6% | 3.3% | 3.4% | 3.7% |
| PERSONAL INCOME - CURR \$ | | | | | | | | | | | | |
| Idaho (Millions) | 39,271 | 39,914 | 40,079 | 41,070 | 41,804 | 42,599 | 43,307 | 43,963 | 44,607 | 45,267 | 45,885 | 46,503 |
| % Ch | 8.6% | 6.7% | 1.7% | 10.3% | 7.3% | 7.8% | 6.8% | 6.2% | 6.0% | 6.0% | 5.6% | 5.5% |
| Idaho Nonfarm (Millions) | 37,988 | 38,770 | 39,084 | 40,032 | 40,779 | 41,515 | 42,220 | 42,840 | 43,454 | 44,102 | 44,740 | 45,397 |
| % Ch | 4.6% | 8.5% | 3.3% | 10.1% | 7.7% | 7.4% | 7.0% | 6.0% | 5.9% | 6.1% | 5.9% | 6.0% |
| U.S. (Billions) | 10,073 | 10,221 | 10,293 | 10,488 | 10,683 | 10,858 | 11,029 | 11,183 | 11,340 | 11,499 | 11,661 | 11,830 |
| % Ch | 2.0% | 6.0% | 2.8% | 7.8% | 7.6% | 6.7% | 6.5% | 5.7% | 5.7% | 5.7% | 5.8% | 5.9% |
| PERSONAL INCOME - 2000 \$ | | | | | | | | | | | | |
| Idaho (Millions) | 35,722 | 36,013 | 35,836 | 36,488 | 36,921 | 37,468 | 37,938 | 38,349 | 38,747 | 39,129 | 39,476 | 39,809 |
| % Ch | 6.2% | 3.3% | -2.0% | 7.5% | 4.8% | 6.1% | 5.1% | 4.4% | 4.2% | 4.0% | 3.6% | 3.4% |
| Idaho Nonfarm (Millions) | 34,555 | 34,981 | 34,946 | 35,566 | 36,016 | 36,515 | 36,986 | 37,369 | 37,745 | 38,123 | 38,491 | 38,862 |
| % Ch | 2.3% | 5.0% | -0.4% | 7.3% | 5.2% | 5.7% | 5.3% | 4.2% | 4.1% | 4.1% | 3.9% | 3.9% |
| U.S. (Billions) | 9,163 | 9,222 | 9,203 | 9,318 | 9,435 | 9,550 | 9,662 | 9,755 | 9,850 | 9,940 | 10,032 | 10,127 |
| % Ch | -0.3% | 2.6% | -0.8% | 5.1% | 5.1% | 5.0% | 4.8% | 3.9% | 4.0% | 3.7% | 3.8% | 3.8% |
| HOUSING STARTS | | | | | | | | | | | | |
| Idaho | 23,211 | 22,591 | 24,814 | 21,802 | 20,396 | 19,986 | 19,893 | 19,944 | 19,951 | 19,926 | 19,847 | 19,755 |
| % Ch | 62.7% | -10.3% | 45.6% | -40.4% | -23.4% | -7.8% | -1.9% | 1.0% | 0.1% | -0.5% | -1.6% | -1.8% |
| U.S. (Millions) | 2,083 | 2,044 | 2,069 | 2,047 | 1,967 | 1,861 | 1,833 | 1,829 | 1,830 | 1,839 | 1,839 | 1,844 |
| % Ch | 24.2% | -7.2% | 5.0% | -4.2% | -14.8% | -19.8% | -5.9% | -0.9% | 0.3% | 2.0% | 0.0% | 1.0% |
| TOTAL NONFARM EMPLOYMENT | | | | | | | | | | | | |
| Idaho | 604,587 | 608,403 | 611,745 | 615,160 | 618,309 | 621,477 | 624,225 | 626,694 | 630,081 | 633,354 | 636,752 | 640,339 |
| % Ch | 6.6% | 2.5% | 2.2% | 2.3% | 2.1% | 2.1% | 1.8% | 1.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| U.S. (Thousands) | 132,814 | 133,429 | 133,961 | 134,261 | 134,876 | 135,460 | 135,958 | 136,479 | 136,911 | 137,373 | 137,818 | 138,291 |
| % Ch | 1.6% | 1.9% | 1.6% | 0.9% | 1.8% | 1.7% | 1.5% | 1.5% | 1.3% | 1.4% | 1.3% | 1.4% |
| SELECTED INTEREST RATES | | | | | | | | | | | | |
| Federal Funds | 2.5% | 2.9% | 3.5% | 4.0% | 4.4% | 4.8% | 4.8% | 4.8% | 4.8% | 4.8% | 4.8% | 4.8% |
| Bank Prime | 5.4% | 5.9% | 6.4% | 7.0% | 7.4% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% |
| Existing Home Mortgage | 5.8% | 5.8% | 5.8% | 6.2% | 6.5% | 6.8% | 6.9% | 6.9% | 6.9% | 6.9% | 6.9% | 6.9% |
| INFLATION | | | | | | | | | | | | |
| GDP Price Deflator | 3.1% | 2.6% | 3.1% | 2.8% | 3.1% | 2.1% | 1.6% | 1.8% | 2.1% | 2.0% | 1.9% | 2.0% |
| Personal Cons Deflator | 2.3% | 3.3% | 3.7% | 2.6% | 2.4% | 1.7% | 1.6% | 1.7% | 1.7% | 2.0% | 1.9% | 2.0% |
| Consumer Price Index | 2.4% | 4.2% | 5.1% | 3.2% | 2.4% | 1.2% | 1.2% | 1.3% | 1.4% | 1.7% | 1.7% | 1.8% |

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2005**